



Nebraska Sales and Use Tax **NONPROFIT ORGANIZATIONS** Fall 2012

www.revenue.ne.gov

This PowerPoint handout is used for training purposes in conjunction with the oral presentation given by Department training staff.

It is not intended to be a stand-alone document.

It is not an information guide, nor does it carry regulatory or statutory authority.

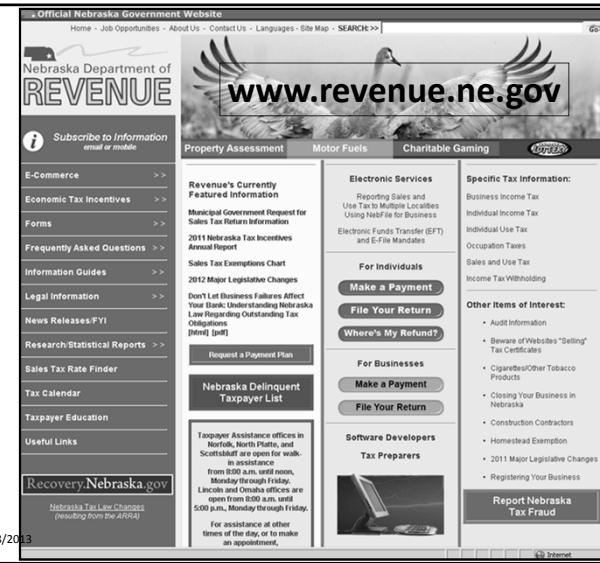
Nebraska tax statutes, regulations, information guides, and other resources are available at www.revenue.ne.gov.

5/8/2013

Subscription Service Powered by

- Receive notification of changes to topics of interest using the FREE web-based email subscription system.
- Set up a PROFILE – enter your email address, optional password, and select the topics of interest.
- You can change your PROFILE at any time by adding or deleting topics, changing the frequency of email alerts, or changing your email address.
- No special software – all you need is a valid email address and an Internet browser!

Try it out!



5/8/2013

Today's Agenda

1. Overview of Sales and Use Tax
2. The IRC § 501(c) Federal Exemption
3. Nonprofits that are Exempt from Sales and Use Tax
4. When Nonprofits Make Sales (+Prepared Food)
5. Legislative Changes on Admissions
6. Coin Operated Machines
7. Gift Baskets
8. Construction Contracts with Exempt Entities
9. Overview of Nebraska's Lottery and Raffle Laws

5/8/2013

1.

Overview Of

1A. Sales Tax & 1B. Use Tax

[Back to Agenda](#)
5/8/2013

1. Overview of Sales and Use Tax

- What is a **sales transaction**?
 - Sales tax is calculated on the **gross receipts**.
 - **Delivery location** determines the rate of local tax.
 - Retailers must **collect and report sales tax or document** why they didn't.
- What is **use tax**?

5/8/2013

1A. What is a Sales Transaction?

A SALE is

- the transfer of title or possession,
- of an item or taxable service,
- for consideration.

Where the item or service is delivered determines the local sales tax rate and to whom the tax is due.

5/8/2013

1A. Sales Transaction (continued)

SALES TAX is

- a transactional tax,
- based on the transaction,
- rather than the item sold.

5/8/2013

1B. What is Use Tax?

- **Use tax** is due when Nebraska sales tax has not been paid on a taxable item or service purchased for use in Nebraska.
- Sales and use tax are **not BOTH due** on the same transaction.
- The big difference is **WHO** remits the tax -
 - **Sales tax** is collected and remitted by the **seller**.
 - **Use tax** is paid directly to the Department by the **purchaser/consumer**.

5/8/2013

1B. Use Tax (continued)

Use tax and sales tax have these things in common -

- They are imposed on the same transactions.
- They share the same exemptions.
- They are calculated at the same rate.
 - Where delivery occurs
 - OR
 - Where first usage in Nebraska takes place.

NOTE: Entities exempt from payment of sales tax are also exempt from payment of use tax.

5/8/2013

1B. Use Tax (continued)

- **Use tax** is due when:
 - purchases are made from an **out-of-state seller**;
 - Internet, catalog, mail order; and
 - Magazines and journals by subscription
 - a business withdraws **tax exempt inventory** for business or personal use, or for later donation to a nonprofit organization.

5/8/2013

1. Overview of Sales & Use Tax (continued)

Reporting Sales And Use Tax

- Monthly, Quarterly, and Annually
- Sales and Use Tax Form 10
- Use Tax Form 2

Don't forget about the recent change in the due dates to the 20th of the month!

5/8/2013

2. The IRC § 501(c) Exemption

Back to Agenda
5/8/2013

2. The IRC § 501(c) Exemption

- Internal Revenue Code (IRC) § 501(c) provides for a **federal income tax exemption**.
- An organization with IRC § 501(c) status is also exempt from **Nebraska income tax**.

Organizations with unrelated business income should refer to www.revenue.ne.gov.

5/8/2013

2. IRC § 501(c) Exemption (continued)

- IRC § 501(c) status **DOES NOT EXEMPT** a nonprofit organization (nonprofit) from **Nebraska sales or use taxes!**
- Nebraska allows certain types of entities to obtain a sales and use tax exemption number.

5/8/2013

3. Nonprofits that are Exempt from Sales and Use Tax

[Back to Agenda](#)
5/8/2013

3. Nonprofits that are Exempt from Sales and Use Tax

- A **qualifying nonprofit** must apply for an exemption number by filing a Form 4.
- Once assigned an exemption number, the nonprofit may make purchases of taxable items for its own use **without paying sales or use taxes**.

5/8/2013

3. Nonprofits Exempt from Sales & Use Tax

(continued)

Religious Organizations

The Department may examine applications from religious organizations for certain criteria. No single criterion is used when making a determination of tax exempt status.

Criteria:

- A distinct legal existence;
- A recognized creed and form of worship;
- Regular religious services;
- Established places of worship; and
- A formal code of doctrine.

For more information,
see [Reg-1-091](#), Religious Organizations.

5/8/2013

3. Nonprofits Exempt from Sales & Use Tax

(continued)

Educational Institutions

Only the institution issued the Exempt Organization Certificate of Exemption may make sales tax exempt purchases on items to be used by and for the purposes of the institution.

- | | |
|---|-------------------------------------|
| • Educational services units | • Technical community colleges |
| • Nonprofit or private colleges and universities (primary campuses must be located in Nebraska) | • Schools for the deaf |
| • Private educational institutions | • Schools for the visually impaired |
| • Public school districts | • State college systems |
| | • Universities |

For more information, see [Reg-1-092](#), Educational Institutions.

Plus, Nonprofit Service Providers for the Blind and Visually Impaired

5/8/2013

3. Nonprofits Exempt from Sales & Use Tax

(continued)

NE licensed healthcare nonprofits

- Assisted living facilities
- Health clinics owned by a hospital
- Home health care services
- Hospice services
- Hospitals
- Intermediate care facilities for the mentally retarded
- Mental health centers (eff. 10/1/12)
- Nursing facilities
- Respite care services
- Skilled nursing facilities

Other NE licensed nonprofits

- Child care agencies providing 24-hour daily care, Neb. Rev. Stat. §§ 71-1901 through 71-1904 (does not include day care providers)
- Child-placing agencies

NE certified nonprofits

- Organizations certified by DHHS to provide community-based services to developmentally disabled persons

A nonprofit organization operating any of these facilities is only sales tax exempt on purchases of items for use at the facility or portion of the facility which is covered by the NE license.

For more information, see Reg-1-090, Nonprofit Organizations.

5/8/2013

3. Nonprofits Exempt from Sales & Use Tax

(continued)

For nonprofit organizations that must be licensed or certified to be exempt:

- Construction of new facilities is not exempt until project completion, appropriate licenses are obtained, and an exemption number has been issued by the Department.
- No sales tax exemption is allowed until the facility is licensed.
- Dual-use facilities (for example, assisted living and independent living facilities) are sales tax exempt only for the exempt portion.

*For specific tax questions about any of the nonprofit organizations on the previous slide, please contact **Karen Barrett, Revenue Tax Specialist** 402-471-5980, karen.barrett@nebraska.gov*

5/8/2013

3. Nonprofits Exempt from Sales & Use Tax

(continued)

Nonprofits Making Tax Exempt Purchases

When making tax exempt purchases, the qualified nonprofit must give the seller a Nebraska Resale or Exempt Sale Certificate, Form 13, Section B.

Refer to the Nebraska Taxation of Nonprofit Organizations information guide for additional information.

5/8/2013

Form 13, Section B

Nebraska Department of REVENUE		Nebraska Resale or Exempt Sale Certificate		FORM 13
• Read instructions on reverse side/see note below RESET FORM				
NAME AND MAILING ADDRESS OF PURCHASER		NAME AND MAILING ADDRESS OF SELLER		
Name		Name		
Street or Other Mailing Address		Street or Other Mailing Address		
City	State	Zip Code	City	State
Check Type of Certificate <input type="checkbox"/> Single Purchase <input type="checkbox"/> Blanket If blanket is checked, this certificate is valid until revoked in writing by the purchaser.				
I hereby certify that the purchase, lease, or rental by the above purchaser is exempt from the Nebraska sales tax for the following reason:				
Check One <input type="checkbox"/> Purchase for Resale (Complete Section A) <input type="checkbox"/> Exempt Purchase (Complete Section B) <input type="checkbox"/> Contractor (Complete Section C)				
SECTION B—Nebraska Exempt Sale Certificate				
The basis for this exemption is exemption category (Insert appropriate category as described on reverse of this form.)				
If exemption category 2 or 5 is claimed, enter the following information:				
Description of Item(s) Purchased		Intended Use of Item(s) Purchased		
If exemption categories 3 or 4 are claimed, enter the Nebraska Exemption Certificate number. 05-				
If exemption category 6 is claimed, seller must enter the following information and sign this form below:				
Description of Item(s) Sold	Date of Seller's Original Purchase	Was Tax Paid when Purchased by Seller?	Was Item Depreciable?	
		<input type="checkbox"/> YES <input type="checkbox"/> NO	<input type="checkbox"/> YES <input type="checkbox"/> NO	

5/8/2013 For more detailed information, refer to the Form 13 instructions.

Nebraska Department of REVENUE **Exemption Permit Application** **FORM 13CCE**
For Use of Credit or Debit Cards by Sales Tax Exempt Entities

Nebraska Tax Number (if applicable)

NAME AND LOCATION ADDRESS			NAME AND MAILING ADDRESS		
Name			Name		
Legal Name			Street Address		
Street Address			Street or Other Mailing Address		
City	State	Zip Code	City	State	Zip Code

CREDIT OR DEBIT CARD INFORMATION

1 Name and address of bank issuing the credit or debit card:

2 Last four digits of the card (If the exempt governmental entity or exempt organization has more than one credit or debit card account, a separate application is required for each credit or debit card.)

DOCUMENTATION REQUIRED

3 Attach all of the following:

- Copy of the billing statement;
- Copy of the credit or debit card; and
- Copy of a payment made to the issuing bank.

ADDITIONAL BILLING INFORMATION

4 Will any person other than the sales tax exempt governmental entity or sales tax exempt organization be billed by the issuer of the card for any purchases made using the credit or debit cards identified on this application?

☐ YES ☐ NO If NO, please explain _____

Under penalties of law, I declare that I have examined this application, and to the best of my knowledge and belief, it is correct and complete.

sign here Signature of Owner, Partner, Member, Corporate Officer, or Other Person Authorized by Attached Power of Attorney _____ Date _____ Telephone Number _____

Title _____ Email Address _____

FOR NEBRASKA DEPARTMENT OF REVENUE USE ONLY

☐ APPROVED ☐ DISAPPROVED

Comments: _____

Exemption Code: _____ Authorized signature: _____ Date: _____

5/8/2013

Nebraska Department of REVENUE **Exemption Permit For Use of Credit or Debit Cards**

NAME AND LOCATION ADDRESS		NAME AND MAILING ADDRESS	
Name		Name	
Street Address		Street or Other Mailing Address	
City	State Zip Code	City	State Zip Code

CREDIT OR DEBIT CARD IDENTIFICATION

Issuing Bank	Type of Credit or Debit Card	Last Four Digits of the Credit or Debit Card
Effective Date of Exemption Permit	Expiration Date of the Exemption Permit (Expiration date of the credit or debit card)	

_____ has provided the Nebraska Department of Revenue with documentation that the credit or debit card identified above is directly billed to, and paid by, the sales tax exempt governmental entity or sales tax exempt organization. To make sales and lodging tax exempt purchases using this credit or debit card, the exempt governmental entity or exempt organization must:

- Complete a Nebraska Resale or Exempt Sale Certificate, Form 13, section B;
- **Attach a copy of this Exemption Permit to the Form 13;** and
- Issue both documents to the seller at the time of purchase.

5/8/2013

4.

When Nonprofits Make Sales (+ Prepared Food)

[Back to Agenda](#)
5/8/2013

4. When Nonprofits Make Sales

- Even if a nonprofit is exempt from paying sales tax on purchases, it becomes the **retailer of the items it sells** and **must collect state and local sales taxes** on those sales.
- A nonprofit making **taxable sales** must obtain a sales tax permit by completing a Nebraska Tax Application, **Form 20**.

5/8/2013

4. When Nonprofits Make Sales (continued)

- The nonprofit may purchase any items it will resell **sales tax exempt**.
- The nonprofit will issue a Form 13, Section A, to the seller in order to purchase items **sales tax exempt for resale**.

5/8/2013

Form 13, Section A

Nebraska Department of REVENUE		Nebraska Resale or Exempt Sale Certificate for Sales Tax Exemption		FORM 13
NAME AND MAILING ADDRESS OF PURCHASER		NAME AND MAILING ADDRESS OF SELLER		
Name		Name		
Street or Other Mailing Address		Street or Other Mailing Address		
City State Zip Code		City State Zip Code		
Check Type of Certificate <input type="checkbox"/> Single Purchase <input type="checkbox"/> Blanket If blanket is checked, this certificate is valid until revoked in writing by the purchaser.				
I hereby certify that the purchase, lease, or rental by the above purchaser is exempt from the Nebraska sales tax for the following reason:				
Check One <input type="checkbox"/> Purchase for Resale (Complete Section A) <input type="checkbox"/> Exempt Purchase (Complete Section B) <input type="checkbox"/> Contractor (Complete Section C)				
SECTION A — Nebraska Resale Certificate				
Description of Item or Service Purchased				
I hereby certify that the purchase, lease, or rental of from the above seller is exempt from the Nebraska sales tax as a purchase for resale, rental, or lease in the normal course of our business, either in the form or condition in which purchased, or as an ingredient or component part of other property to be resold.				
I further certify that we are engaged in business as a: <input type="checkbox"/> Wholesaler <input type="checkbox"/> Retailer <input type="checkbox"/> Manufacturer <input type="checkbox"/> Lessor				
of Description of Product Sold, Leased, or Rented				
and hold Nebraska Sales Tax Permit Number 01- If None, State Reason				
or Foreign State Sales Tax Number State				

5/8/2013 For more detailed information, refer to the Form 13 instructions.

4. When Nonprofits Make Sales (continued)

Sales made by nonprofits may include:

- **Admissions** (charges for the right to have access to, or use a place where amusement, entertainment, or recreation is provided)
- **Auctions** (live and silent)
- **Fundraising Events**
- **Car shows**
- **Garage sales**
- **Car washes**
- **Golf outings**
- **Dances**
- **Prepared food**
- **Fireworks**
- **Sports leagues**

5/8/2013

4. When Nonprofits Make Sales (continued)

When items are sold at fundraising events:

- Separately state the **fair market value** if a donation was included;
- **Collect Nebraska and local sales taxes on the fair market value;** and
- If not stated separately, **collect sales tax** on the total amount.

5/8/2013

4. When Nonprofits Make Sales (continued)

EXAMPLE

- A nonprofit organization holds a fundraising banquet in Scottsbluff.
- The total price of a ticket to this event is \$250.
- The fair market value of the meal is \$50.

See the difference in the amount of sales tax due depending on how the ticket price is stated:

A		B	
Meal	\$ 50.00	Ticket	\$250.00
Donation	\$196.50		
Sales Tax (Scottsbluff 7%)	\$ 3.50	Sales Tax (Scottsbluff 7%)	\$ 17.50
Total	\$250.00	Total	\$267.50

5/8/2013

4. More Info on Prepared Food

A. Prepared food is generally **taxable** to the purchaser:

- Awards banquets
- Employee meals
- Charity benefits
- Suggested donations

B. Prepared food is generally **nontaxable** when provided to:

- School & university students as part of their housing package
- Students living in dorms or fraternities as part of their housing package
- Residents of retirement facilities where meals are part of the housing package
- Residents of assisted living facilities
- Senior centers (accepting SNAP coupons)

5/8/2013

4. More Info on Prepared Food (continued)

C. Prepared food served by a **religious organization** is **nontaxable** when:

- The prepared food is sold at a function of the organization held primarily for its members;
- OR
- The sales of the prepared food is used as the one tax exempt event that is open to the general public annually.

For more information, see Reg-1-083 – Food Service, and Reg-1-087.05A – Prepared Foods.

NOTE: These regulations are currently being updated. Statutory language is not being used.

5/8/2013

4. When Nonprofits Make Sales (continued)

EXCEPTIONS

ONLY schools, school organizations, and religious organizations may make certain sales ‘sales tax exempt.’

Refer to:
Nebraska Taxation of Nonprofit Organizations information guide;
Sales and Use Tax Responsibilities of Elementary & Secondary Schools, Parent-Booster Clubs, Parent-Teacher Associations,
& Student Organizations;
and Sales and Use Tax Regulations
1-091 – Religious Organizations, and 1-092 – Educational Institutions
for additional information.

5/8/2013

5. Legislative Changes on Admissions

[Back to Agenda](#)
5/8/2013

5. Admissions

- **Sales and Use Tax Exemption for *Youth Sports***
 - Entry fees or other amounts charged **by political subdivisions or IRC § 501(c)(3) organizations** to participate in sports events, sports leagues, or competitive educational activities that are restricted to those participants who are less than 19 years old.

5/8/2013

LB 727, Operative Date: July 1, 2012

5. Admissions

- **Sales and Use Tax Exemption for Statewide Sports Events**
 - Fees and admissions charged to participants by nonprofit IRC § 501(c)(3) organizations that conduct statewide sports events with multiple sports for both adults and youth.
- **Sales and Use Tax Exemption for Youth Development Organizations**
 - Fees and admissions charged to participants by nonprofit IRC § 501(c)(3) organizations that are affiliated with a national organization that are primarily dedicated to youth development and healthy living, and offers sports instruction or sports events in multiple sports.

5/8/2013

LB 727, Operative Date: July 1, 2012

6. Coin-Operated Machines

[Back to Agenda](#)
5/8/2013

6. Coin-Operated Machines

- **Vending machine sales are taxable.**
 - All **items sold** from the machine, including **food and beverages**, are **taxable**.
 - Sales tax is included in the price.
 - Owner needs only one sales tax permit for all machines, even though they may be at different locations.

For more information,
see [Reg-1-031](#)– Coin-Operated Machines.

5/8/2013

7. Gift Baskets

[Back to Agenda](#)
5/8/2013

7. Gift Baskets

- If the fair market value (FMV) of **food or food ingredients** in the basket is greater than the FMV of the taxable items, the gift basket is **nontaxable**.
- If the FMV of the **taxable items** is greater, the gift basket is **taxable**.

Basket (itself)	\$ 4.00 (T)
Cheese	+ 2.35 (E)
Crackers	+ 2.50 (E)
Wine	<u>+14.50 (T)</u>
Subtotal	23.35
Tax (7% x \$23.35)	+ 1.63
Total	\$ 24.98

Since the total of the **taxable items (\$18.50)** is higher than those that are **nontaxable (\$4.85)**, the whole basket is subject to sales tax when it is sold to the customer.

8. Construction Contracts with Exempt Entities

[Back to Agenda](#)
5/8/2013

8. Contracts with Exempt Entities

Be sure to get a
Purchasing Agent Appointment and
Delegation of Authority for
Sales and Use Tax, Form 17.

Form 17 supports why tax was not paid or collected on
building materials and fixtures
for construction projects for exempt entities.

5/8/2013

8. Contracts with Exempt Entities (continued)

Option 1 Prime Contractors

- Receive Form 17 and Form 13 from project owner **PRIOR TO** the start of the project.
- Complete the Delegation of Prime Contractor's Authority portion of the Form 17.
- Complete a Form 13 and provide it with a copy of the Form 17 to Option 1 subcontractors.
- Provide copies of the Form 17 to any Option 2 or 3 subcontractors on the project so they can buy building materials and fixtures sales tax exempt.

5/8/2013

8. Contracts with Exempt Entities (continued)

Option 2 & 3 Prime Contractors

- Complete a Form 13 and provide it with a copy of the Form 17 to Option 1 subcontractors.
- Provide copies of the Form 17 to any Option 2 or 3 subcontractors on the project so they can **BUY BUILDING MATERIALS AND FIXTURES SALES TAX EXEMPT**.

5/8/2013

Form 17

Nebraska Department of REVENUE		Purchasing Agent Appointment and Delegation of Authority for Sales and Use Tax		FORM 17
PURCHASING AGENT APPOINTMENT				
Name and Address of Prime Contractor		Name and Address of Governmental Unit or Exempt Organization		
Name		Name		
Street or Other Mailing Address		Street or Other Mailing Address		
City	State	Zip Code	City	State
Name and Location of Project		Appointment Information		
Name		Effective Date (see instructions)		
Street or Other Mailing Address		Expiration Date		
City	State	Zip Code	Nebraska Exemption Number (Exempt Organizations Only)	
Identify Project				
The undersigned governmental unit or exempt organization appoints the above-named contractor and the contractor's delegated subcontractors as its agent to purchase and pay for building materials that will be annexed to real estate by them into the tax exempt construction project stated above.				
sign here		Authorized Signature of Governmental Unit or Exempt Organization		
		Title		
		Date		
DELEGATION OF PRIME CONTRACTOR'S AUTHORITY				
Name and Address of Subcontractor		Delegation Information		
Name		Effective Date		
Street or Other Mailing Address		Expiration Date		
City	State	Zip Code	Portion of Project	
The undersigned prime contractor hereby delegates authority to act as the purchasing agent of the named governmental unit or exempt organization to the above-named subcontractor.				
sign here		Signature of Prime Contractor or Authorized Representative		
		Title		
		Date		

5/8/2013

8. Contracts with Exempt Entities (continued)

Option 1 Subcontractors

- Purchase building materials & fixtures **SALES TAX EXEMPT** by giving Form 13, Section C, Block 1 to their Nebraska suppliers.
- **DO NOT COLLECT SALES TAX** on items when they obtain a properly completed Form 17 & Form 13 **PRIOR TO** the start of the project.

5/8/2013

8. Contracts with Exempt Entities (continued)

Option 2 Subcontractors

- Purchase building materials & fixtures **SALES TAX EXEMPT** by giving –
 - A copy of Form 17 and
 - Form 13, Section C, Block 2 to their Nebraska suppliers.

5/8/2013

8. Contracts with Exempt Entities (continued)

Option 3 Subcontractors

- Purchase building materials & fixtures **SALES TAX EXEMPT** by giving Form 13, Section C, Block 1 to their Nebraska suppliers.
- **DO NOT OWE USE TAX** on items when they obtain a properly completed Form 17 **PRIOR TO** the start of the project.

5/8/2013

8. Contracts with Exempt Entities (continued)

- **ONLY** building materials and fixtures that become **annexed to real estate** may be purchased **sales tax exempt**.
- Contractors **MUST** pay sales or use tax on all **purchases or rentals of equipment, tools, and taxable services** used to complete the project.

5/8/2013

8. Contracts with Exempt Entities (continued)

Refunds of Sales and Use Taxes Paid on Exempt Projects

- If a Form 17 **IS** issued to the contractor prior to the contractor annexing building materials, the **contractor** can request a refund.
- If a Form 17 is **NOT** issued to the contractor in a timely manner, **ONLY the project owner** can request a refund.
- The following are **NOT ALLOWED** a refund:
 - Nebraska State Colleges ○ United States Government
 - State of Nebraska ○ University of Nebraska

5/8/2013

8. Contracts with Exempt Entities (continued)

Routine, On-call Repairs for Exempt Entities

Contractors who are on-call for exempt entities may obtain a Form 17 for routine, on-call repairs.

- There must be a written agreement.
- One year period of time only.

5/8/2013

9. Overview of Nebraska's Lottery and Raffle Laws

Deb Weber, Gaming Policy Analyst
deb.weber@nebraska.gov
www.revenue.ne.gov/gaming

Back to Agenda
5/8/2013

9. Are we conducting a Lottery or Raffle?

A LOTTERY is gambling where:

- Participants agree to pay something of value for an opportunity to win
- Winning opportunities are represented by tickets that are sequentially numbered
- Winners are determined by a random drawing of tickets or by a race of inanimate buoyant objects

Lottery = Cash Prizes

A RAFFLE is gambling where:

- [The same 3 bullets, **PLUS...**]
- At least **80%** of the value of all the prizes to be awarded is in **merchandise** which is not directly or indirectly redeemable for cash

Raffle = Merchandise Prizes

5/8/2013

9. Why is this distinction important?

The licensing threshold for a lottery is lower than for a raffle.

LOTTERY

License is required with
gross proceeds > \$1,000.

- Gross proceeds are the total receipts from the conduct of the lottery or raffle, without any deduction for prizes, discounts, taxes, or expenses.
- Includes receipts from required purchase or admission costs to the extent that this purchase or admission constitutes a chance in the lottery or raffle.
- Includes the value of any free tickets.

5/8/2013

RAFFLE

License is required with
gross proceeds > \$5,000.

9. Eligibility

Licensed Lottery or Raffle (over \$1,000 or \$5,000)

- Nebraska nonprofit organization or nonprofit corporation exempt under IRC § 501 or a volunteer fire company, or volunteer first-aid, rescue, ambulance, or emergency squad
- Must be organized or incorporated in Nebraska, and conduct activities other than lotteries and raffles
- Have at least 10 members in good standing
- Membership is defined by the organization, in its articles of incorporation and/or bylaws

5/8/2013

Small/Unlicensed Lottery or Raffle (less than \$1,000 or \$5,000)

- Nebraska nonprofit organization or nonprofit corporation exempt under IRC § 501 OR
- Whose major activities, exclusive of conducting any lottery or raffle, are conducted for charitable or community betterment purposes
- Must have its principal office located in Nebraska, and conduct a majority of its activities in Nebraska

9. General Requirements

Licensed Lottery or Raffle (over \$1,000 or \$5,000)

- Prize payout of at least 65%*
- 10% expense limitation*
- Must be 18 to participate*
- Separate bank account used only for lottery/raffle proceeds
- 2% tax on gross proceeds
- Quarterly and Annual Reports required
- Sell sequentially-numbered tickets with the organization's name, state ID, cost per ticket, and date of drawing
- Determine winners by random drawing or race of inanimate buoyant objects

* Can be waived with Special Permit

Small/Unlicensed Lottery or Raffle (less than \$1,000 or \$5,000)

- No minimum prize payout requirement
- No expense limitation
- No age restrictions
- No separate bank account
- No taxes
- No reporting requirements
- Sell sequentially-numbered tickets
- Determine winners by random drawing or race of inanimate buoyant objects
- Other Limitations
 - Only one lottery per calendar month
 - Unlimited number of raffles, but combined gross proceeds cannot exceed \$5,000 per calendar month

9. Federal and State Tax Requirements

• IRS Form W-2G, Statement of Gambling Winnings

- Required for certain winnings - refer to IRS Publication 3079
- If the amount paid reduced by the amount of the wager is \$600 or more, and at least 300 times the amount of the wager

• Withholding

- Federal withholding at the rate of 25% is required if value of prize is more than \$5,000
- Nebraska withholding is required at the rate of 5%
- Use fair market value for noncash payments

IRS Hotline 866-455-7438

5/8/2013

9. Licenses Required

Lotteries \geq \$1,000 or Raffles \geq \$5,000

- **Organization Lottery/Raffle License** - \$30 (biennial)
- **Utilization of Funds Member** - \$40 (biennial)
 - Must be an active and bona fide member of the organization for at least one year (hardship waiver upon written request)
 - Citizenship attestation form required of new license applicants
- **Optional Special Permit** - \$10
 - Waives the 65% payout requirement, 10% expense limitation, and age restriction
 - One permit per year, valid for up to 90 days
- **Local Licensing May Be Required**
 - Authorization by ordinance or resolution – Lincoln/Omaha, Lancaster/Douglas counties

5/8/2013

9. Other Charitable Gaming

When is a license required?

- **Bingo**
 - If a charge is made to play, or any prize awarded exceeds \$25 in value, either a Bingo License or Special Event Bingo Permit is required.
- **Pickle Cards**
 - A license is always required.

5/8/2013

9. Use of Gross Proceeds

All Lotteries and Raffles

- Prizes
- Expenses
- Taxes (if applicable)
- License fees (if applicable)
- Lawful purpose
- Charitable or community betterment purposes
 - **Includes** - Charitable, benevolent, humane, religious, philanthropic, recreational, social, educational, civic, or fraternal activities conducted by the organization for the benefit of its members
 - **Not Permitted** - Lobbying and political campaigns expenses or contributions

5/8/2013



Subscription Service

Powered by get the word out. **GOVDELIVERY.**

- Receive notification of changes to topics of interest using the FREE web-based email subscription system.
- Set up a PROFILE – enter your email address, optional password, and select the topics of interest.
- You can change your PROFILE at any time by adding or deleting topics, changing the frequency of email alerts, or changing your email address.
- No special software – all you need is a valid email address and an Internet browser!

Try it out!

5/8/2013

